

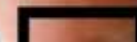
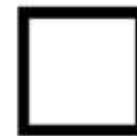
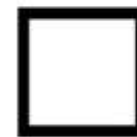


# E-COMMERCE

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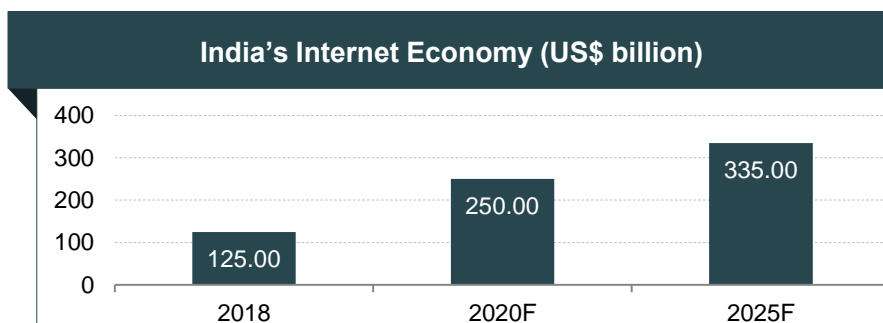
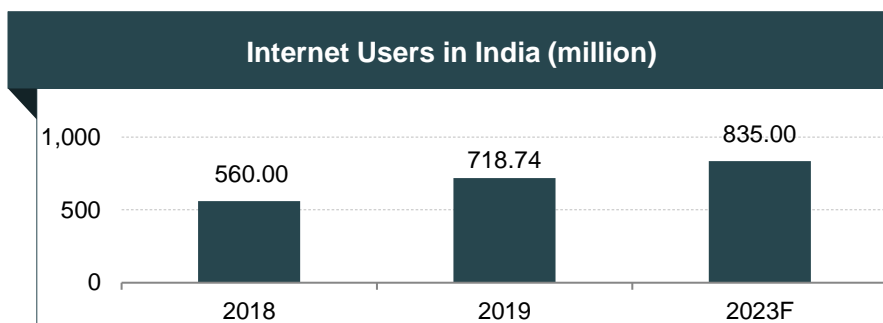
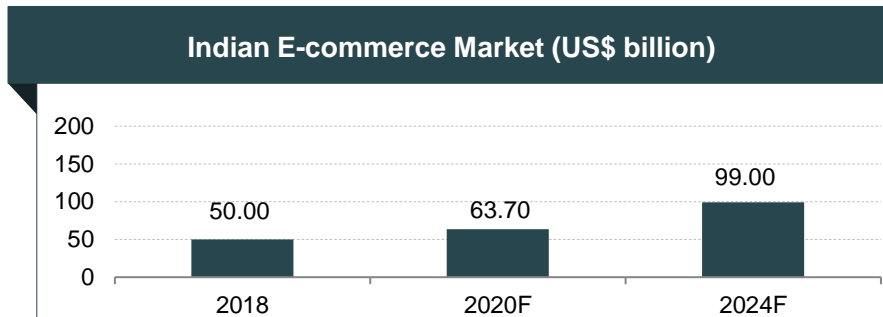
# Table of Contents

- ▶ Executive Summary.....3
- ▶ Advantage India.....4
- ▶ Market Overview .....6
- ▶ Strategies Adopted.....14
- ▶ Growth Drivers and Opportunities.....17
- ▶ Industry Associations.....24
- ▶ Useful Information.....26



# EXECUTIVE SUMMARY

- India e-commerce will reach US\$ 99 billion by 2024, growing at a 27 per cent CAGR over 2019-24, with grocery and fashion/apparel likely to be the key drivers of incremental growth.
- Online penetration of retail is expected to reach 10.7 per cent by 2024, versus 4.7 per cent in 2019.
- With growing internet penetration, internet users in India are expected to reach 835 million by 2023. As of 2019, internet subscribers in India stood at almost 718.74 million.
- Each month, India is adding approximately 10 million daily active internet users to the internet community, the highest rate in the world, thereby supporting the E-commerce industry.
- Online shoppers in India are expected to reach 220 million by 2025.
- India's digital sector is expected to increase by two-fold and reach US\$ 335 billion by 2025.
- Through its 'Digital India' campaign, the Government of India is aiming to create a trillion-dollar online economy by 2025.
- The Indian online grocery market is estimated to exceed sales of about Rs 22,500 crore (US\$ 3.19 billion) in 2020, a significant jump of 76 per cent jump over the previous year.



Source: Media sources, Global Internet: e-commerce's steepening curve' published by Goldman Sachs



# ADVANTAGE INDIA

- India is the fastest growing E-commerce market and is expected to grow at approximately 1,200 per cent by 2026.
- Indian E-commerce market is expected to reach US\$ 84 billion by 2021.

Growing demand

**ADVANTAGE INDIA**

Increasing Investment

- The recent rise in digital literacy has led to an influx of investment in E-commerce firms, levelling the market for new players to set up their base, while churning out innovative patterns to disrupt old functioning.

- India's start-up ecosystem is growing, which is well supported by favourable FDI policies, Government initiatives like Start-up India and Digital India, as well as the rising internet penetration driven by market players like Reliance Jio.

Attractive Opportunities

Policy support

- In India, 100 per cent FDI is permitted in the B2B E-commerce.
- As per the new guidelines on FDI in E-commerce, 100 per cent FDI under automatic route is permitted in the marketplace model of E-commerce.
- Heavy investment made by the Government of India in rolling out fiber network for 5G will help boost E-commerce in India.

*Note: FDI – Foreign Direct Investment*

*Source: Media sources, Grant Thornton, EY*

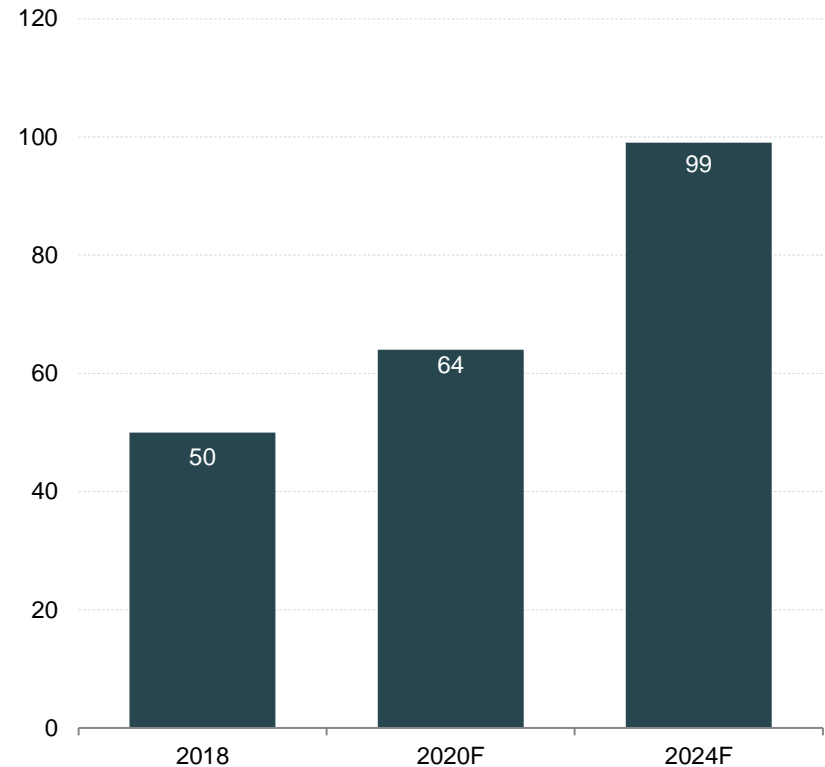


# MARKET OVERVIEW

# GROWTH OF E-COMMERCE IN INDIA

- Propelled by rising smartphone penetration, increasing internet penetration and increasing consumer wealth, the Indian E-commerce market is expected to touch US\$ 200 billion by 2027.
- E-commerce is increasingly attracting customers from tier II and tier III cities where people have limited access to brands but have high aspirations.
- India e-commerce will reach US\$ 99 billion by 2024, growing at a 27 per cent CAGR over 2019-24, with grocery and fashion/apparel likely to be the key drivers of incremental growth.
- Online penetration of retail is expected to reach 10.7 per cent by 2024, versus 4.7 per cent in 2019.
- The Indian online grocery market is estimated to exceed sales of about Rs 22,500 crore (US\$ 3.19 billion) in 2020, a significant jump of 76 per cent jump over the previous year.
- The Government e-marketplace (GeM), three years after its inauguration, saw a cumulative procurement by central and state Governments of Rs 24,183 crore (US\$ 3.46 billion) in FY19 and has a target of Rs 50,000 (US\$ 7.15 billion) crore in FY20.
- The GeM signed a memorandum of understanding (MoU) with Union Bank of India to facilitate cashless, paperless and transparent payment system for an array of services in October 2019.

**E-commerce Industry in India (US\$ billion)**

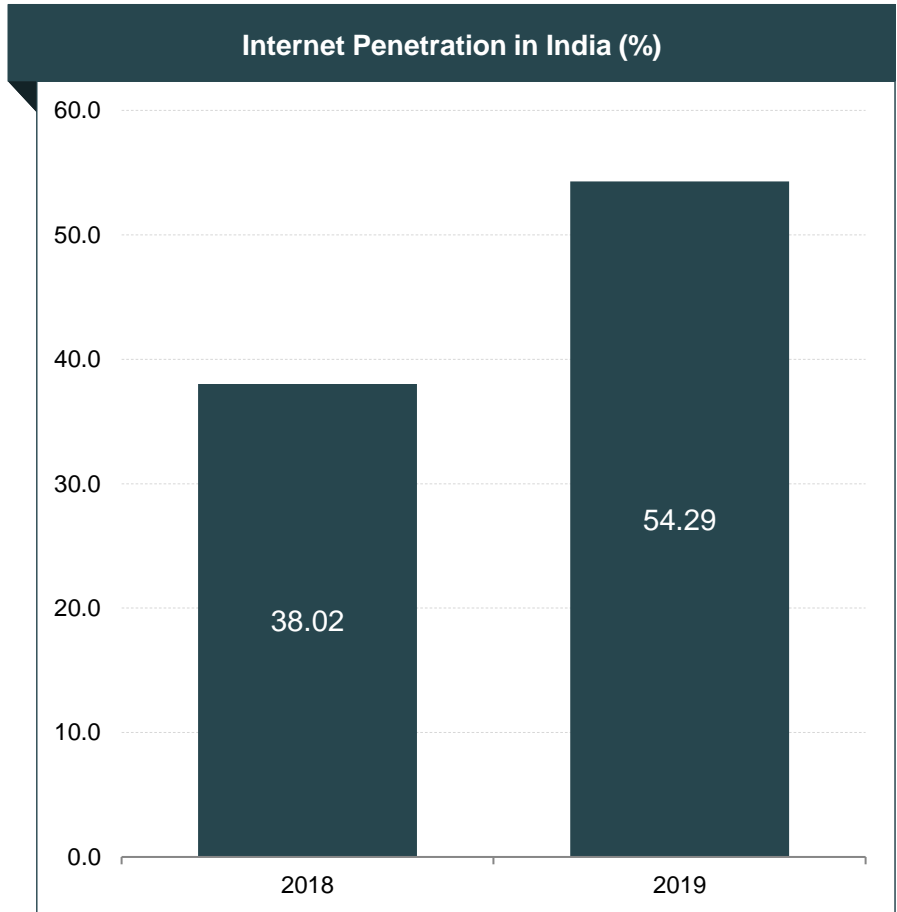


**Notes:** \*Estimated, F – Forecast

**Source:** Media sources, Global Internet: e-commerce's steepening curve' published by Goldman Sachs

# RISING INTERNET PENETRATION IN INDIA

- Internet penetration in India grew from 4 per cent in 2007 to 54.29 per cent in 2019, registering a CAGR of 24 per cent between 2007 and 2019.
- Internet penetration in rural India is expected to grow at a rate of 45 per cent by 2021 compared to the current rate of 22 per cent .
- Number of active internet users in the country is the second highest globally and is also one of the largest data consumers globally. It has the highest data usage per smartphone at an average of 10.40 GB per month.

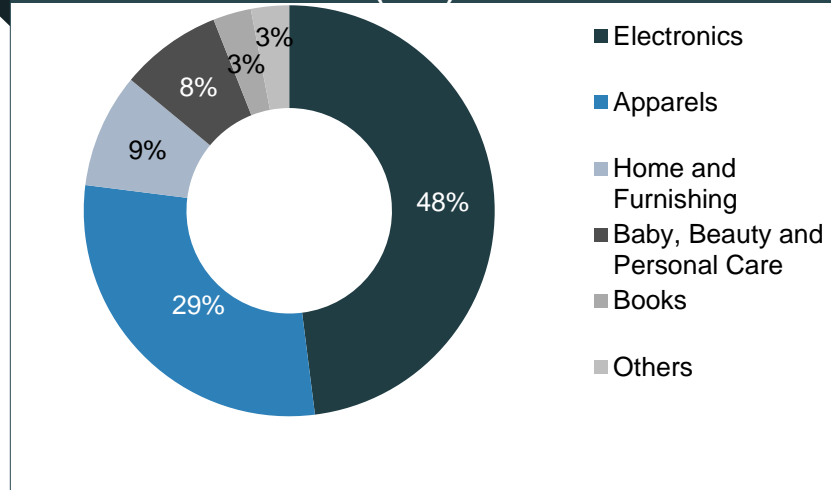


*Note: Internet penetration - number of internet subscribers per 100 population*

*Source: Economic Times, Live Mint, Department of Telecommunications, Bain & Company – Unlocking Digital for Bharat*



**Shares of Various Segments in E-commerce Retail by Value (2019)**

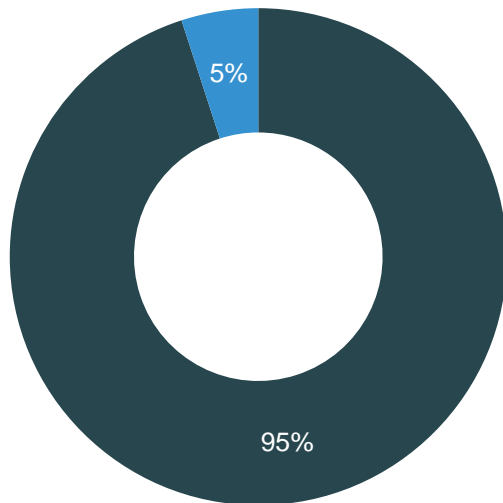


- The online retail market in India is estimated to be 25 per cent of the total organized retail market and is expected to reach 37 per cent by 2030.
- E-retail market is expected to continue its strong growth and will nearly be Rs 1.8 trillion (US\$ 25.75 billion) by FY20.
- Online penetration of retail is expected to reach 10.7 per cent by 2024, versus 4.7 per cent in 2019.
- In 2019, mobile handsets were the biggest contributor to online retail sales in India followed closely by mobile and electronic accessories, other consumer electronics such as printers, routers, laptops, and home décor.
- FMCG segment accounted for almost 11 per cent of online sales in 2019.
- With cost of servicing tier II and other smaller cities going down, most of the growth for E-retail's the country is going to come from there. Overall, online shoppers in India is estimated to reach 220 million by 2025.

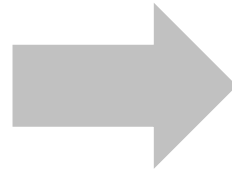
Source: Report by eMarketer, Kalaari Capital – Imagining Trillion Dollar India

# ONLINE RETAIL VS TOTAL RETAIL IN INDIA

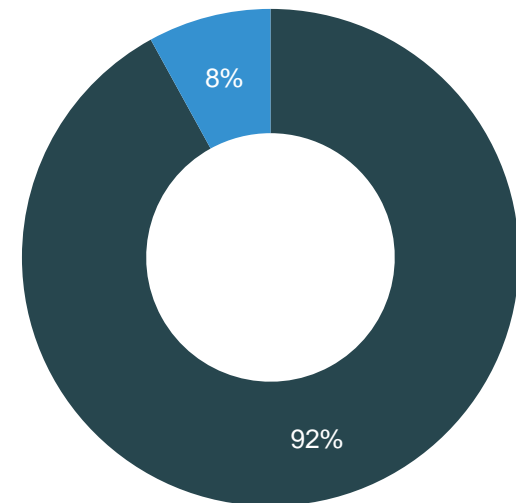
Online retail out of total retail in India (2020F)



■ Offline Retail ■ Online Retail



Online retail out of total retail in India (2030F)



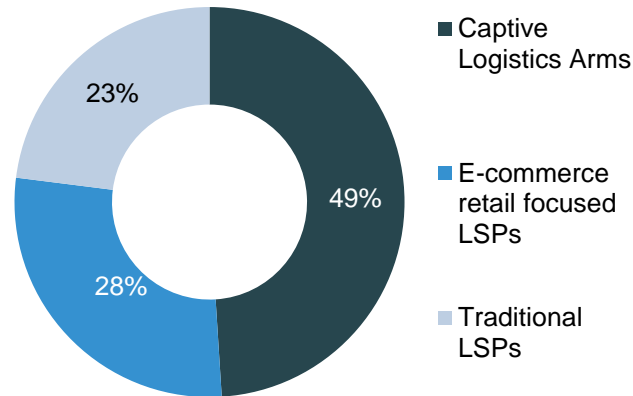
■ Offline Retail ■ Online Retail

- There are lot of opportunities for E-retailers in India to capitalize upon with the gradually growing internet penetration in India.

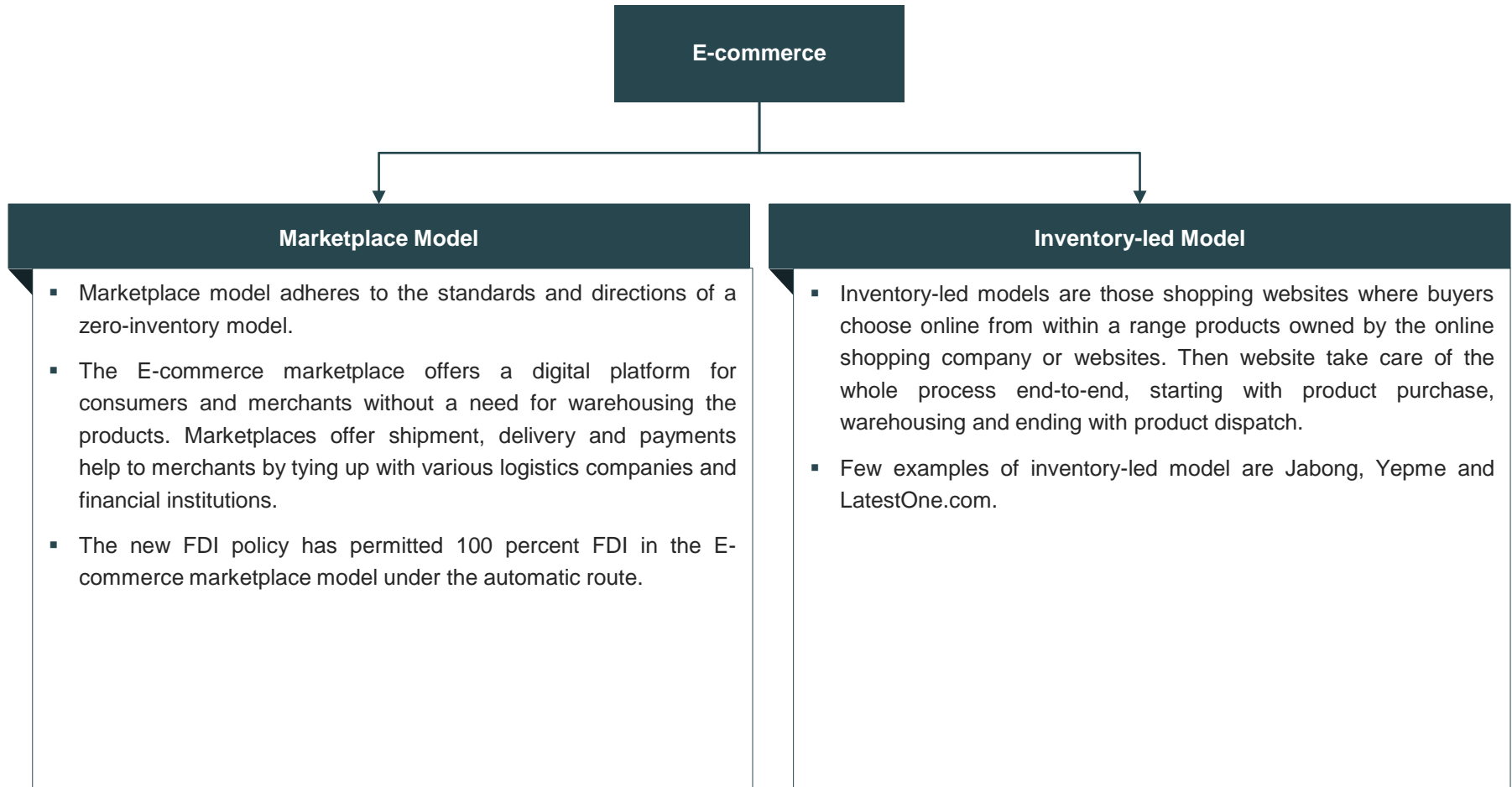
*Note: F- Forecasted*

*Source: Redseer, Crisil, Report by eMarketer*

## E-commerce Retail Logistics Landscape in India (2019)



- The E-commerce retail logistics market in India is expected to be around US\$ 2.5 billion by 2020 and around US\$ 6.0 billion by 2023.
- Around 1.9 million shipments are currently being handled every day with metro cities contributing around 50 per cent of this demand.
- Logistics is a major driver of the E-commerce retail industry and is an important point of differentiation between market players aiming at better customer satisfaction and service.
- Currently, in-house (captive) logistics arms of large retailers execute most of the shipments followed by E-commerce focused logistics service providers (LSPs) and traditional LSPs.

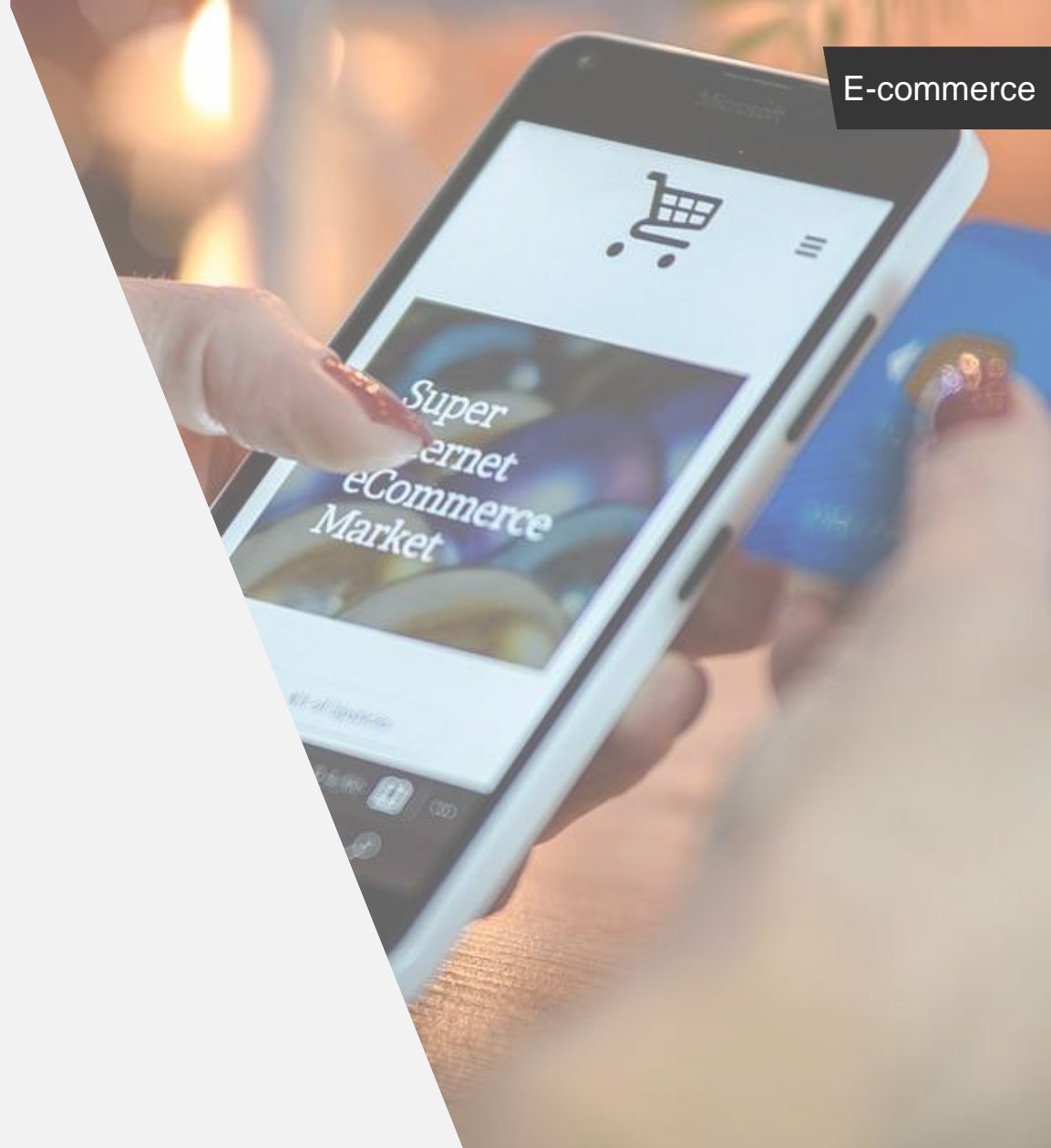


Source: PWC

# KEY PLAYERS IN E-TAILING MARKET

The logo for Flipkart.com, featuring a yellow shopping cart icon to the left of the word "flipkart" in white lowercase letters, with ".com" in yellow lowercase letters to the right.The logo for Myntra.com, featuring the word "myntra" in a colorful, multi-colored font (red, orange, yellow, green, blue, purple) and ".com" in black lowercase letters to the right.The Amazon logo, featuring the word "amazon" in black lowercase letters with a registered trademark symbol, and a yellow curved arrow underneath.The logo for Paytm mall, featuring the word "paytm" in blue lowercase letters above the word "mall" in orange lowercase letters, with an orange shopping bag icon to the left.The logo for Snapdeal, featuring the word "snapdeal" in blue lowercase letters, with "snap" in blue and "deal" in red.The logo for Shopclues.com, featuring a blue circular icon with a white checkmark to the left of the word "SHOPCLUES" in black uppercase letters, with ".COM" in black uppercase letters to the right.The logo for Nykaa.com, featuring the word "NYKAA" in a stylized, pink-to-red gradient font, with ".COM" in black uppercase letters to the right, and the tagline "Your Beauty. Our Passion." in black lowercase letters below.

# STRATEGIES ADOPTED



## Expansion

- In January 2020, Divine Solitaires launched its E-commerce platform.
- In February 2020, Flipkart set up a 'Furniture Experience Center' in Kolkata, its first offline presence in eastern India.
- In April 2020, Reliance Industries (RIL) started home delivery of essentials in partnership with local kirana stores in Navi Mumbai, Thane and Kalyan.
- In May 2020, PepsiCo India partnered with Dunzo for its snack food brands that include Lay's, Kurkure, Doritos and Quaker.
- In May 2020, chocolate maker Hershey India partnered with Swiggy and Dunzo to launch their flagship online store in order to increase reach.
- In July 2020, Flipkart Group bought a minority stake in Arvind Youth Brands, a subsidiary of Arvind Fashions Ltd's (AFL), for Rs 260 crore (US\$ 36.88 million).
- In July 2020, Flipkart acquired the Indian operations of Walmart Inc. and is expected to launch a digital marketplace, Flipkart Wholesale, which is in a pilot mode, in August to expand its business-to-business (B2B) vertical.

## Ancillary services

- Flipkart introduced its own payment gateway, Payzippy, as well as its own logistics and supply chain arm, Ekart.
- Paytm launched its bank, Paytm Payment Bank. Paytm Payment Bank is India's first bank with zero charges on online transactions, no minimum balance requirement and free virtual debit card.
- GMV of sales financed through no-cost EMIs has increased to 20 per cent from 4-5 per cent two years ago.
- In September 2019, PhonePe launched its super-app platform, 'Switch', to provide a one stop solution for customers, integrating several other merchant apps.

Source: Media sources, Company websites,

## Assisted commerce

- To expand their reach, brands are tying up with assisted E-commerce organisations which provide local merchants with a platform to place their orders. Under this, customer get help in placing order online through a merchant shop and the product gets delivered either to the shop or to customer's address directly.
- This model can become an enabler for online retailers to expand their outreach in areas where internet penetration is low.

## Subscription for E-commerce

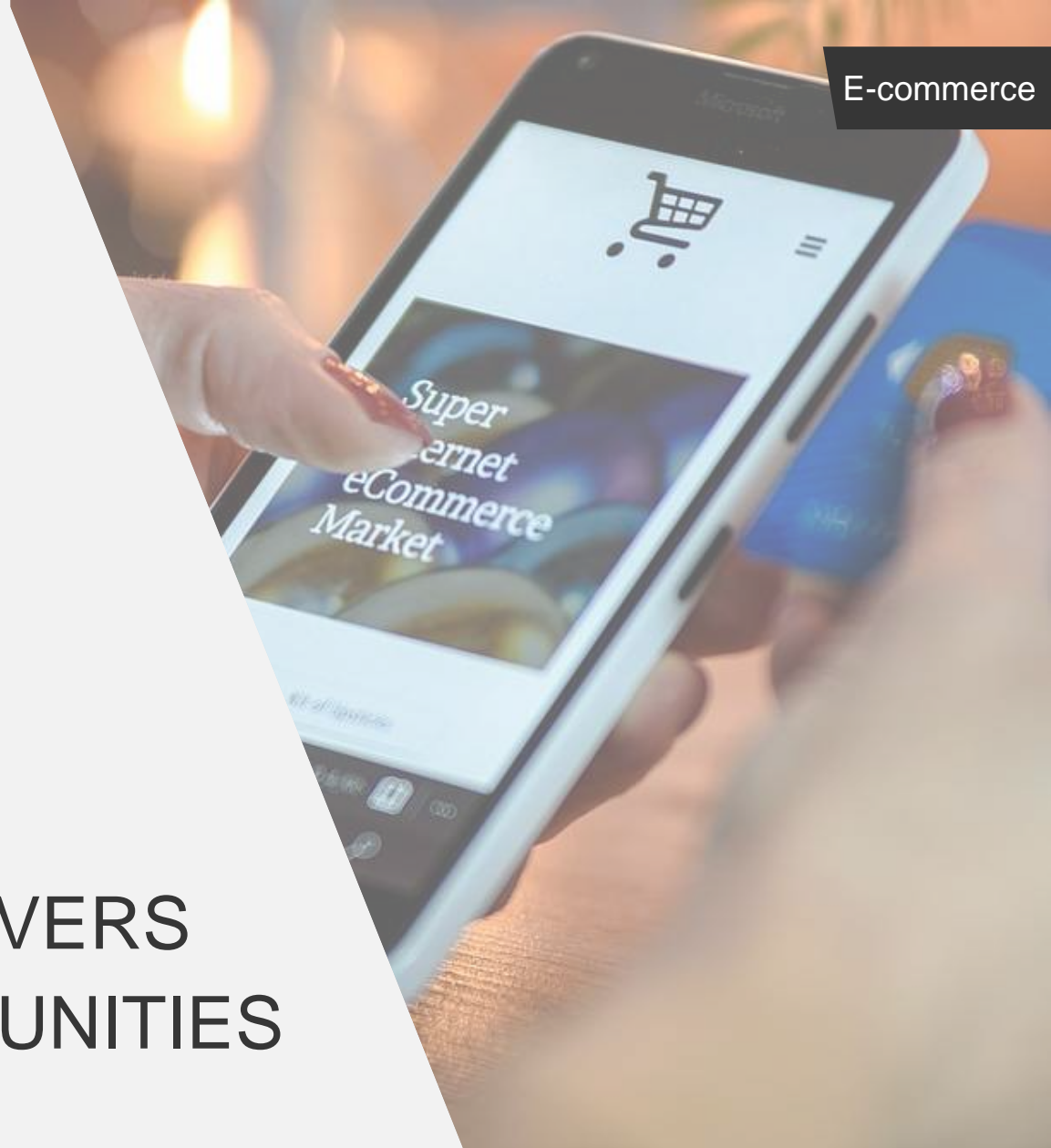
- E-commerce companies are increasingly adopting subscription model to provide extra benefits and tailored services to customers to suit their needs.
- Amazon, which introduced Amazon Prime in 2016, has seen its Amazon Prime subscribers reaching almost 13 million as of June 2019.
- Swiggy, Zomato and Myntra keep on offering benefits through their subscription models to attract consumers.

## Personalised experience

- Site visitors demand one-of-a-kind experience that cater to their needs and interests. Technology is available even to smaller players to capture individual shoppers' interests and preferences to generate a targeted shopping experience.
- Many E-commerce websites provide personalised experience to customers to cater to their needs and interests depending upon their location, choices, products they like or buy, and websites they visit.
- To give a more personalized experience, E-commerce companies have adopted voice search technology. Myntra is the first to adopt it.
- PhonePe, to give a more holistic experience to its customers and merchants, introduced a stores tab on its app and launched a separate merchant app.



# GROWTH DRIVERS AND OPPORTUNITIES



# GROWTH DRIVERS FOR E-COMMERCE

- As the awareness of using internet is increasing, more and more people are getting drawn to E-commerce
- Whether it's sellers, buyers, users or investors, more and more people are adapting to the use doing commerce online



- Government initiatives like Digital India is constantly introducing people to online modes of commerce
- Favourable FDI policy is attracting key players
- The Government has proposed “National E-commerce Policy” and has set up a lawful agenda on cross-border data flow where no data will be shared with a foreign Government agency without prior authorization from the Indian Government

- Increasing FDI inflow, domestic investment, and support from key industrial players is helping the growth of E-commerce

Source: TechSci Research

# DEMOGRAPHIC FACTORS

## Online shoppers

- In 2019, Indian online shoppers spent Rs 12,800 (US\$ 183.14) per shopper per year and this number is expected to rise to Rs 25,138 (US\$ 359.67) by FY30.
- Mobile-savvy shoppers are the backbone of India's online shopping industry. Men have been a more avid shopper on the mobile platform compared to women, in part because of demographics and cultural differences.
- In 2019, it was estimated that one in every three Indian shopped via a smartphone.

## Tier II and tier III cities provide major sales

- Metro cities like Bengaluru, Mumbai and Delhi has accounted for most of the online shopping in absolute numbers.
- Less densely populated regions have generated a larger proportion of online sales.
- In November 2019, Nykaa opened its 55<sup>th</sup> offline store marking success in tier II and tier III cities.

## Millennials are the most active

- Although shoppers between 25 and 34 years of age have been the most active on E-commerce portals, a surprising number of older people have increasingly started to shop online.
- However, the age group of 15-34 years are the major consumers of E-commerce.
- The popularity of web series among millennials is growing immensely.

## Convenience of E-commerce

- Discounts and EMIs, added with a comfort of sitting at home and purchasing, has become an effective driving factor of E-commerce. Availability of various websites give customers' lot of options to choose from.
- Chatbots and personal assistance apps have made transactions seamless.
- One can get several brands and products from different sellers at one place with a comfort to buy latest international brands trending online without spending money on travel.

Source: Economic Times, Media sources

# FACTORS DRIVING E-COMMERCE GROWTH... (1/2)

## Internet content in local languages

- Online retailers see this segment as the new growth driver with significant influx of mobile subscribers, who are now comfortable with languages other than English.
- Indian language users on the internet are expected to reach 540 million by 2021.

## Mobile commerce

- Online retailers' growing reach in town and cities beyond metros is driven by an increased usage of mobile internet. Increased ownership of smartphones is helping more Indians access shopping websites easily.
- Number of smartphone users in India is expected to reach 859 million by 2022.
- More than 90 per cent of subscribers use internet service through mobiles

## Growth of logistics and warehouses

- Online retailers now deliver to 15,000-20,000 pin codes out of nearly 100,000 pin codes in the country.
- With logistics and warehouses attracting an estimated investment of nearly US\$ 2 billion by 2020, the reach of online retailers to remote locations is set to increase.
- In August 2019, Amazon set up its biggest global office in Hyderabad and plans to have 50 warehouses across the country.
- In July 2020, Amazon's India unit announced its plans to open 10 new warehouses in the country.

Source: Media sources

# FACTORS DRIVING E-COMMERCE GROWTH... (2/2)

## Cashless transactions

- In March 2019, debit card swipes on point of sales (PoS) stood at 407 million while debit card payments for merchant transactions have gone up more than 250 per cent between March 2019 and 2016. This clearly reflects that people are getting comfortable with using debit cards for activities other than withdrawals at ATM.
- Payments on Unified Payments Interface (UPI) hit an all-time high of 1.49 billion in terms of volume with transactions worth nearly Rs 2.90 lakh crore (US\$ 41.22 billion) in July 2020.
- Paytm launched India's first bank "Paytm Payment Bank" with zero charges on online transactions.
- PhonePe achieved an annual 'total payment volume' (TPV) run-rate of US\$ 95 billion while clocking 335 million transactions in July 2019.

## B2B E-commerce

- Amazon has launched an online Business-to-Business (B2B) marketplace in India where small and medium enterprises (SMEs) can buy products.
- DesiClik, a US based company, entered into strategic partnership with Indian Gifts Portal (IGP) to offer a range of B2B solutions.

## Increasing investment

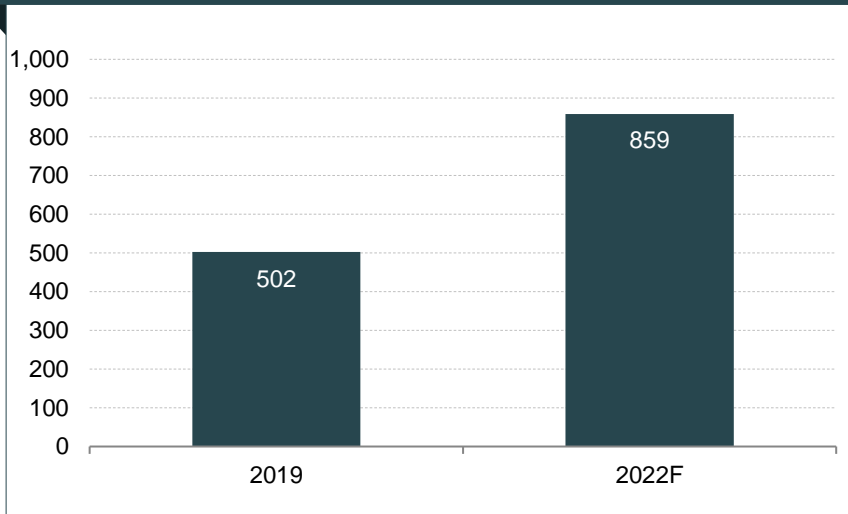
- US\$ 6.25 billion have been invested in the logistics sector in 2019.
- In April 2020, PhonePe's Singapore entity, PhonePe Pte Ltd, received an investment of US\$ 28 million from parent Flipkart.
- In April 2020, Swiggy received an additional US\$ 43 million funding as part of its ongoing Series I round.
- In July 2020, Amazon.com, Inc. invested about Rs 2,310 crore (US\$ 327.71 million) in Amazon Seller Services Pvt. Ltd, its marketplace unit in India.

Source: Media sources,

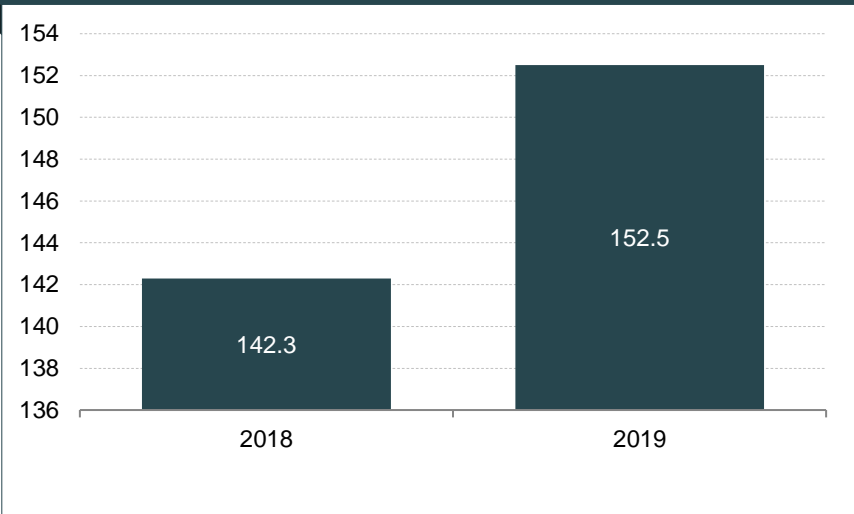
Note: B2B – Business to Business

# INCREASE IN SMARTPHONES DRIVING E-COMMERCE GROWTH

### Smartphone User Base in India (million)



### India's Smartphone Shipments (million)



- The proliferation of mobile devices combined with internet access via affordable broadband solutions and mobile data is a key factor driving the tremendous growth in India's E-commerce sector.
- Smartphone users in India is expected to reach at 859 million by 2022.
- Smartphone shipments in India increased 8 per cent y-o-y to reach 152.5 million units in 2019, thereby making it the fastest growing market of the top 20 smartphone markets in the world.
- Smartphone's average selling price (ASP) stood at US\$ 163 in 2019, up 2.8 per cent over last year.
- Currently, mobile phones account for about 40 per cent of GMV.

Source: IMF, World Bank, International Data Corporation (IDC), Counterpoint Research, Media Sources

# GOVERNMENT AND PRIVATE INITIATIVES INFLUENCING E-COMMERCE

## Bharat Net and Digital India

- In the Union Budget of 2020-21, the Government has allocated Rs 8,000 crore (US\$ 1.24 billion) to BharatNet Project to provide broadband services to 150,000-gram panchayats.
- The project has a target to connect 250,000 gram panchayats by March 2020. The Government has also planned to set up 500,000 Wi-Fi hotspots for providing broadband service to 50 million rural citizens.
- Under the Digital India movement, Government launched various initiatives like Udaan, Umang, Start-up India Portal etc.

## E-commerce draft policy

- The Government of India's Draft National e-Commerce Policy encourages FDI in the marketplace model of E-commerce. Further, it states that the FDI policy for E-commerce sector has been developed to ensure a level playing field for all participants.
- According to the draft, a registered entity is needed for the E-commerce sites and apps to operate in India.
- The telecom provider offered free high-speed internet access to users for first seven months.

## Internet Saathi

- Under this project, Google and Tata Trust have collaborated to improve internet penetration among rural women in India.
- The project has benefited over 26 million women in India and reached 2.6 lakh villages by 2019 since its launch in 2015.

## Reliance

- In April 2020, Reliance Industries (RIL) started home delivery of essentials in partnership with local kirana stores in Navi Mumbai, Thane and Kalyan.
- Reliance will invest Rs 20,000 crore (US\$ 2.86 billion) in its telecom business to expand its broadband and E-commerce presence and to offer 5G services.

## Udaan

- Udaan is a B2B online trade platform to connect small and medium size manufacturers and wholesalers with online retailers. It also provide them logistics, payments and technology support.
- The platform has sellers in over 80 cities of India and delivers to over 500 cities.

Source: Bain & Company – Unlocking Digital for India, Union Budget 2019-20, Media Sources

# INDUSTRY ASSOCIATIONS





# KEY INDUSTRY ASSOCIATIONS

## E-commerce Association of India

Address: 122, 1st Floor, Devika Tower  
Corporate Business District, Nehru Place  
New Delhi –110 019  
Phone: +91 011 41582722  
Fax : +91 011 41582722  
Email: [info@ecai.co.in](mailto:info@ecai.co.in)

## Retailers Association of India (RAI)

Address: 111/112, Ascot Centre, Near Hotel ITC Maratha,  
Sahar Road, Sahar, Andheri (E)  
Mumbai – 400099  
Phone: +91 22 28269527 - 29  
Fax: +91 22 28269536  
E-mail: [info@rai.net.in](mailto:info@rai.net.in)



# USEFUL INFORMATION

- CAGR: Compound Annual Growth Rate
- GMV: Gross Merchandise Value
- FDI: Foreign Direct Investment
- FY: Indian Financial Year (April to March)
- GOI: Government of India
- INR: Indian Rupee
- US\$: US Dollar
- Numbers have been rounded off to the nearest whole number, wherever applicable.

# EXCHANGE RATES

## Exchange Rates (Fiscal Year)

Year INR	INR Equivalent of one US\$
2004-05	44.95
2005-06	44.28
2006-07	45.29
2007-08	40.24
2008-09	45.91
2009-10	47.42
2010-11	45.58
2011-12	47.95
2012-13	54.45
2013-14	60.50
2014-15	61.15
2015-16	65.46
2016-17	67.09
2017-18	64.45
2018-19	69.89
2019-20	70.49

## Exchange Rates (Calendar Year)

Year	INR Equivalent of one US\$
2005	44.11
2006	45.33
2007	41.29
2008	43.42
2009	48.35
2010	45.74
2011	46.67
2012	53.49
2013	58.63
2014	61.03
2015	64.15
2016	67.21
2017	65.12
2018	68.36
2019	69.89

Source: Reserve Bank of India, Average for the year

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